

FINAL STORES POST LICENSING MONITORING REPORT

66 STORES

Executive Summary

Income Management (IM) commenced in the first licensed community stores in September 2007 as part of the Northern Territory Emergency Response. The interviews of store operators were conducted by officers from the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). The interviews, conducted in three rounds, were part of a process of routine monitoring of the first 18 months of store licensing. The findings in this report are based on 66 community stores that have been licensed, which includes all three rounds of interviews and synthesises all previous results.

The monitoring review of stores provides indications of positive results from store licensing and IM. Store operators have first hand experience with the operation of IM and its effect on stores and communities, making them well-placed to comment on IM. It should be noted that the results are only observations, perceptions and opinions of store operators. Specifically, store operators report that:

The overall impact of IM has been positive for communities.

- Customer shopping habits have changed significantly in most stores, with 68.2 per cent of store operators reporting an increase in the amount of healthy food purchased. This includes items such as fruit and vegetables, as well as dairy foods and meat.
- Responses suggest that sales of some goods, such as cigarettes, are unchanged (73.3 per cent of operators who answered this question reported no change).
- Community residents, particularly women, are telling store operators that they now have more control over their money, with greater capacity to manage humbug.
- Initial mistrust and confusion about IM has abated over time.
 - Store operators are reporting that feedback is generally positive, especially from women, once people understand how it works.

- Most operators reported that people had a good understanding of IM. Older people were said to have most difficulty understanding IM.

The overall impact of IM has been positive for stores.

- o Many stores reported an increase in turnover (63.6 per cent) with a consequent capacity to stock a wider range of goods, including fresh fruit and vegetables.
- o Greater certainty about future turnover has meant that store operators are more confident about ordering in a wider range of goods.
- o The transition to IM for stores was difficult in most cases, with increased workloads (50.1 per cent of operators who answered the question). The workload became easier over time as the understanding of IM improved and automated processes were established.
- o The support provided to store operators during the transition to IM through the on-site presence of Income Management Officers (IMOs) for the first few weeks of IM was helpful overall (65.2 per cent of operators).

The BasicsCard has been overwhelmingly seen as a positive by stores.

- o Eighty per cent of stores interviewed (after the introduction of the BasicsCard) stated that the BasicsCard is a good thing for stores and communities.
 - This is primarily because the BasicsCard allows IM customers more portability between stores and regions with their funds.
- o Determining a customer's BasicsCard balance is a major issue for many stores. The BasicsCard balance issue can be burdensome for stores when customers do not know their balances as customers often try to purchase more than they can afford or use the store's phone to contact Centrelink about the balance.

Background

The purpose of the community stores post-licensing review is to monitor the impact of IM on community store operators and their perceptions of the effect for community residents who purchase food from the store, using Income Managed funds. IM funds were originally held with a customer's local store. In the second half of 2008, the rollout of the BasicsCard commenced, allowing customers the choice between earlier forms of IM and the BasicsCard. The interviews were part of a process of routine monitoring of the first 18 months of store licensing.

There have been three rounds of interviews for the report as IM was rolled out, with a total of 66 stores being interviewed between February 2008 and May 2009. IM had been in place for a minimum of 12 weeks in stores before they were interviewed. FaHCSIA interviewed 20 community store operators by phone between February and May 2008. The second group of stores (21 stores) was interviewed between August and September 2008. The third group of stores (25 stores) was interviewed between April and May 2009. Although there were three separate rounds of interviews, the results from each round were generally in line. During the interviews, seven stores eligible for the monitoring report were either unable to be contacted or interviewed in a timely manner. As such, these stores were excluded from the sample.

Methodology

The interviews lasted from 10 to 45 minutes using both qualitative and quantitative questions. The following analysis is based on the operators' subjective observations, perceptions and opinions of the situation within their communities, and is not based on any examination of financial records or direct field reports.

Questions focussed on the impact of IM on both stores and community residents.

Store specific information was sought on:

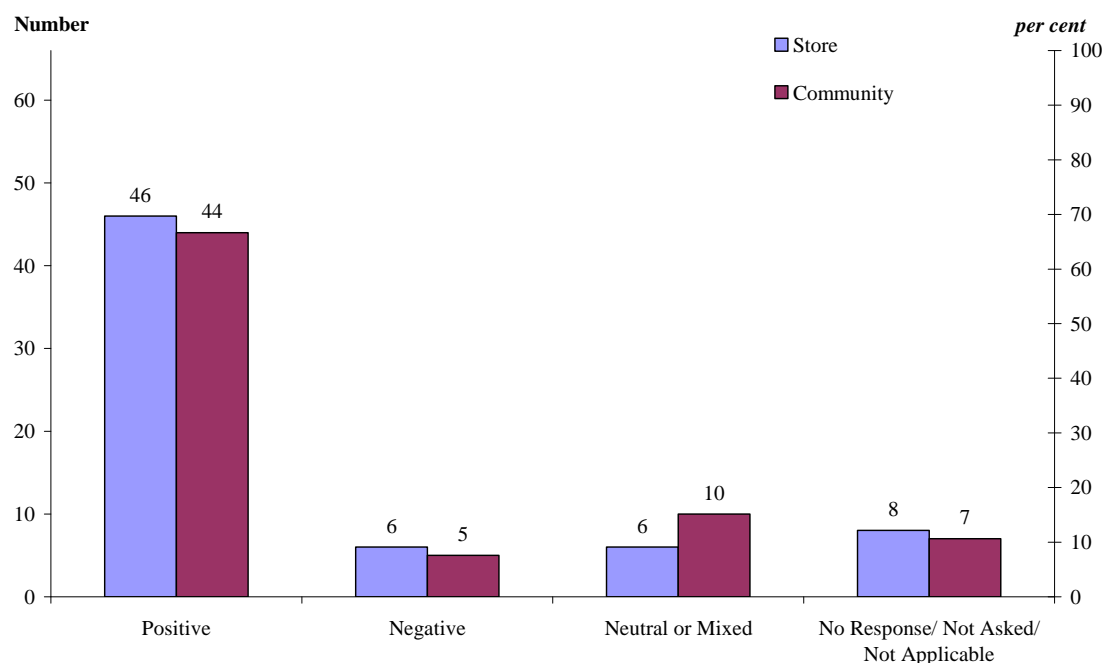
- The overall impact of IM on the store and the community;
- Changes in shopping habits;
- Changes in the frequency of purchases;
- The community understanding of IM;
- The transition to IM;

- The support provided by IMOs;
- The impact on store turnover;
- The impact on workload; and
- The introduction of the BasicsCard.

The Impact of IM

Store managers overwhelmingly reported that IM had a positive effect on the store and the community (Figure One). Store operators reported positive effects related to increased turnover, particularly the sales of healthy food, such as fruit and vegetables.

Figure One: What has been the effect of IM on your store/community?



Various issues were raised:

- Prior to the introduction of the BasicsCard, it was often perceived that IM is hard for people who travel, because their money is held at only one store and travel money is restricted to discretionary cash. BasicsCard users no longer face this issue.
- Store operators commented that when IM was first introduced, people seemed unsure about IM, with community members displaying confusion, frustration and suspicion towards store operators and the Government. Some did say however, that people have adapted to IM with time.

- Many store operators commented on the difficulties with obtaining a balance of IM funds, one describing the difficulties in the following terms, ‘customers fill their trolleys with food and then stand in line while the food is put through the checkout and packed into bags but when the card goes through, quite often, there isn’t enough money in the account to pay for the groceries. So the customer asks to take items off the bill and what often happens is that there isn’t enough money on the card for a can of baked beans. Meanwhile people are waiting in the line.’

Impact of IM on the Community

Shopping Habits and Store Turnover

Store operators often noted that shopping habits had changed since the introduction of IM (Figure Two). The primary manifestation of the change in shopping habits, in particular the increased consumer spend, is seen in the reported increase in store general turnover. Of the 66 stores interviewed, 42 reported (63.6 per cent) an increase in turnover, while 7 stores (20.6 per cent) reported a decrease (Figure Three).

Figure Two: Have you noticed a change in the shopping habits of your customers since the introduction of IM...to what extent?

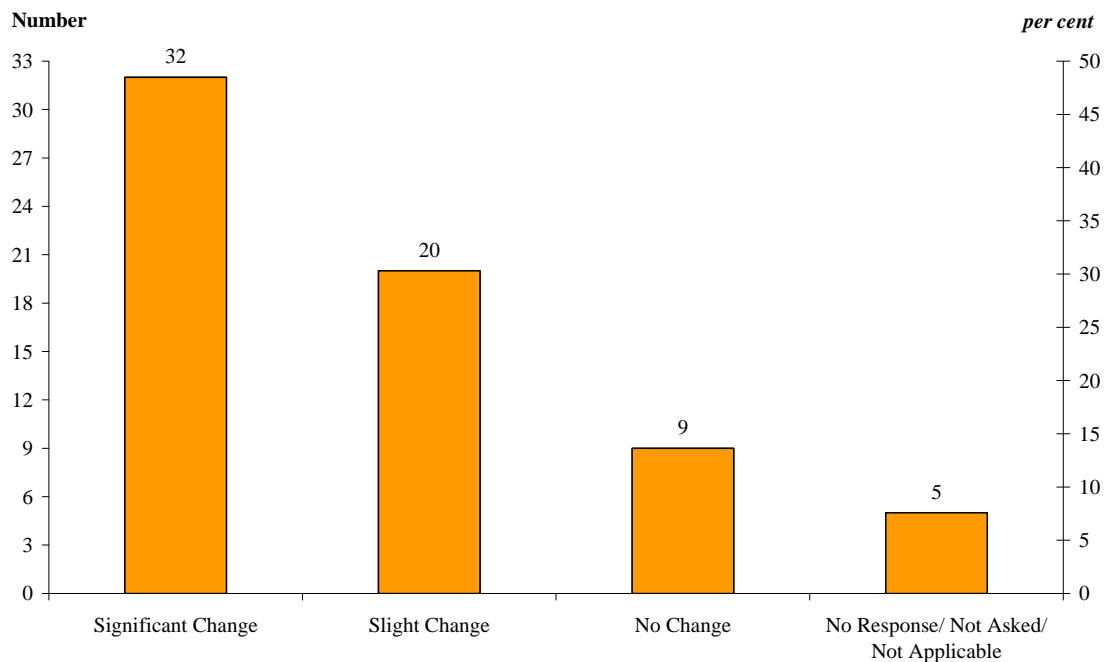


Figure Three: Has turnover increased or decreased?

	Increased	Decreased	Unchanged	Don't Know	No Response/ Not Asked
Frequency	42	7	7	6	4
Per cent	63.6	10.6	10.6	9.1	6.1

Store operators with increased turnover reported multiple factors that affected turnover:

- A large number of store operators stated that IM helps ensure that welfare payments are spent on food products from the community store;
- Some operators reported that changes to management, or management practices, improved store competitiveness and ensured the transition to IM was as effective as possible;
- Upgrades made to the store infrastructure and product range (particularly when through a parent company) had also helped to increase sales;
- A few operators reported improved opening hours; and
- In the final round of store manager interviews it was commented that stimulus payments were leading to increased sales;
- Another reason for an increase in store turnover that was given by a store operator was that there were people moving into the community; and
- Increased turnover means there is an opportunity to employ more community people.

Stores reporting turnover increases also reported that:

- The increase in turnover enabled them to purchase a greater range, order stock more regularly and provide fresher produce;
- The regularity of store income from IM enabled store operators to predict future turnover more accurately and offer a greater range of products; and
- Store operators commented that they were providing additional healthy takeaway meal packs for lunches and dinners.

Of the stores reporting a decrease in turnover:

- Some store operators suggested the decrease was due to customers choosing to spend their IM funds at supermarkets and consequently taking business away from the community stores;

- A few store operators have claimed that some people (particularly the elderly) are confused by IM and don't spend their Income Managed funds, as one store operator said there had been a substantial accumulation of unspent IM funds held with the store; and
- A further reason for a decrease in store turnover that was given by store operators was that there were people moving out of their store's community.

Shopping Habits and Composition of Purchases

Customer behaviour has not only changed in the quantity of purchases. Store operators have also reported substantial shifts in the composition of purchases. Store operators reported increased sales of priority items (Figure 4):

- 45 store operators (68.2 per cent) reported an increase in fruit and vegetable sales, while 13 operators (19.7 per cent) reported a decrease;
- 45 store operators (68.2 per cent) reported an increase in healthy food in general, while 13 operators (19.7 per cent) reported a decrease; and
- 31 store operators (47.0 per cent) reported an increase in clothing sales, while 17 operators (25.8 per cent) reported a decrease.

Figure Four: What has been the effect of IM on the purchase of:



Store operators have reported increased sales of food items including dairy products, meat, canned food and frozen food. Comments on the change in clothing sales included ‘kids are getting clothed’ and ‘clothing sales have gone up by more than 10 times. This has happened largely due to the increased range and availability of clothing’.

More than 70 per cent of store operators who responded to the question on cigarette sales said that cigarette sales were unchanged since the implementation of IM (Figure Five).¹ Those that reported a decline in cigarette sales often said that this was because cigarettes couldn’t be purchased with IM funds. One of the store operators that reported no change said ‘Cigarettes will always be sold no matter what the government tries.’

Figure Five: Have cigarette sales increased or decreased?²

	Increased	Unchanged	Decreased
Frequency	1	22	7
Per cent	3.3	73.3	23.3

Other comments on changes in the composition of shopping patterns:

- Several store operators have noticed that people are buying more white goods. It has been reported by store operators that this is due to people using IM to save for large items. Others suggested there was no improvement in white goods sales because there was no store credit and there has been a low rate of savings in the community, with all the IM money being spent on food.
- Several store operators noted that there had been a reduction in the purchase of junk food, although a large number of these operators explain this in terms of changes to sales policy by the store, rather than IM.
- One operator noted that the introduction of IM has coincided with changes to the management of some stores and this has resulted in increased availability of a wider variety of goods.

¹ Stores in the first round of interviews were not asked this question, and it had a large number of abstentions in later rounds.

² Due to rounding, the per cent row does not add up to 100 per cent.

Other Effects of IM on the Community

Store operators have noted several positive effects of IM in their communities. Several said that the introduction of IM is perceived to have reduced ‘humbugging’. This is reportedly because community members with drinking habits realise the IM funds cannot be spent on alcohol, and therefore there is less humbug to get the funds. Some store operators have suggested that humbug has become concentrated around the store, or that humbug for cash has decreased, while humbug for food and cigarettes continues.

In some cases, store operators have seen a perceivable reduction in gambling and to a lesser extent, alcohol use. One operator noted that *‘people are still drinking, but they are using their cash to do it, rather than all of their money’*.

Community Understanding of IM

Some store operators explained that when IM was first introduced there was a level of mistrust and misunderstanding surrounding the introduction of IM. In one community it was reported that people believed the Government had taken the money or the store operators were stealing it because of the delay between the Centrelink payment due date and when the money became available in their store account.³ Other store operators referred to the difficulties involved in explaining the changes, especially to older residents used to having cash in hand. In some communities, store operators noted that the confusion around IM has abated over time.

More than two-thirds of store operators, however, reported that community members seem to have a good understanding of IM. Comments made by store operators include:

- A lot of explanation has been required from store operators to facilitate understanding in the community, but community members are making good progress towards understanding IM and how it works;
- Store operators suggest there has been a mixed response, with some community members appearing to understand but others, particularly the elderly, who do not *‘...most do, there are some that don’t’*;

³ Centrelink subsequently addressed this problem by providing customers with clearer advice about when IM funds would be available in the store.

- Several store operators report that some customers do not understand when their IM funds are paid and have difficulty budgeting their IM funds;
- Prior to the BasicsCard, it seems to have taken some time for customers to understand how to contact Centrelink to redirect funds to other stores if they wished to access income managed funds elsewhere; however
- The depth of understanding is not clear. One store owner noted that:
‘They understand the basics of how it works. They don’t seem to understand what it is actually trying to achieve.’

Community Attitudes towards IM

There was a significant variation in responses from store operators about customer feedback, although there was significant positive comment. Operators reported that women in particular are expressing happiness, as there is more money for food and less humbugging. Some store operators reported complaints from community members, mostly male, who were not happy with IM from both a political and financial standpoint. One store operator commented that some community residents referred to IM as *‘head shaking business.’*

Some specific comments were:

- *‘The leading women of the community are mostly happy and are in favour of Income Management. Some are ecstatic. Lots in the community couldn’t give a stuff. Some of the men are not happy and don’t like being told what to do with their money.’*
- *‘The women now think it’s a great idea because of the extra money they have for food.’*
- *‘Some people really like Income Management – (they make) comments such as ‘at least we know we’ve got money there on the card’. People have now accepted the way it works.’*
- *‘Elders are impressed by it. Younger ones don’t like it because it interferes with their lifestyle.’*
- *‘The drinkers complain that they don’t have enough money to spend to drink and they blame Centrelink. The people that like it really love it. There is no humbug for their cash.’*

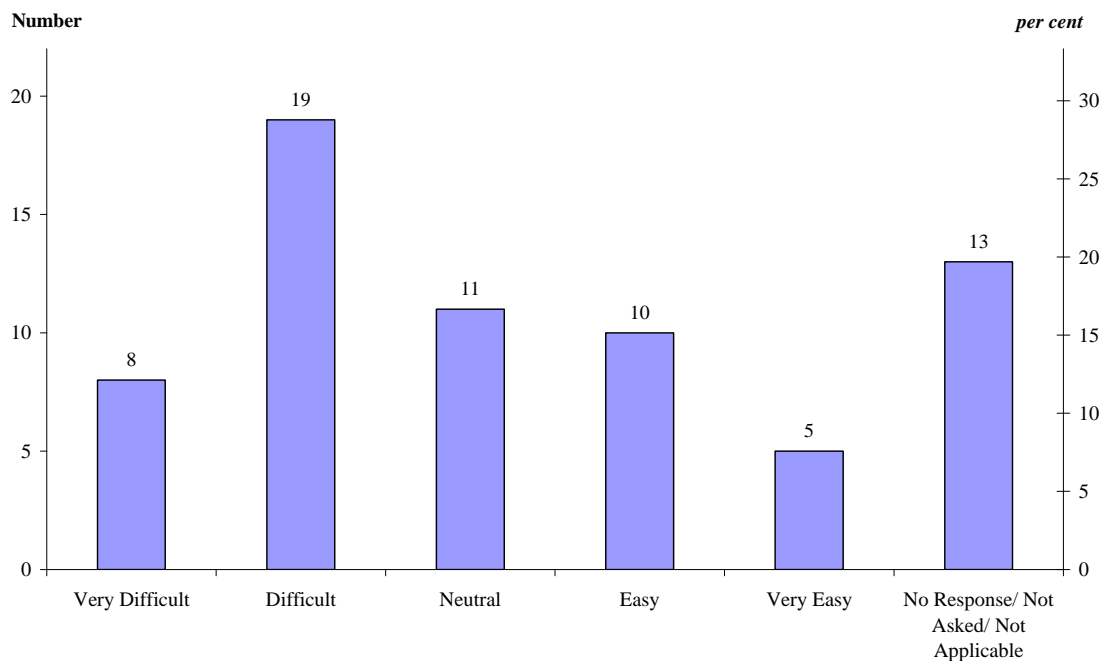
- *‘People are very negative about Income Management. But in all fairness I’ve only had about four or five people state their views on Income Management to me and they were mainly men.’*
- *‘...hesitant at first, but the community are now accepting of it’*
- *‘Most people love it...a few of the older men don’t really like it.’*

Impact of IM on the Store

Transition to IM

In the main, store managers reported that the transition to IM was difficult. This was despite a large number of reports that the IMOs were generally helpful. When asked about the transition, around half of the store operators who answered the transition question, claimed that the transition to IM was either ‘difficult’ or ‘very difficult’ (Figure Six).

Figure Six: How would you describe your store’s transition to IM?



In relation to the transition, store operators commented that:

- Initial problems with point of sale systems and other systems-related issues made the IM start-up difficult, and took time to sort out;
- Some stores had only low levels of electronic/computer equipment prior to set up;
- The overall extra work created by the administration and record-keeping that is required following transition to IM, including taking customer photos,

downloading Centrelink information, providing reports to Centrelink, is burdensome;

- There was a lack of support in preparation for IM and in solving problems associated with IM;⁴
- The effect of the transition was neutral because computer systems were already in place and point of sale upgrades and installations occurred prior to the transition to IM;
- The IM system is similar to the way in which some stores already operated (for example, through ‘book down’⁵ arrangements), making the transition run smoothly;
- Management practices affected the ease of implementation and workload associated with IM;
- The Centrelink staff often put everything in place before IM started;
- The support and presence of Centrelink staff during the transition helped to ensure that it was easy and that any problems that arose were dealt with quickly;
- Some stores associated with larger parent companies commented that their transition was assisted through the involvement of the parent company; and
- Some operators who moved between stores have now been through more than one transition.

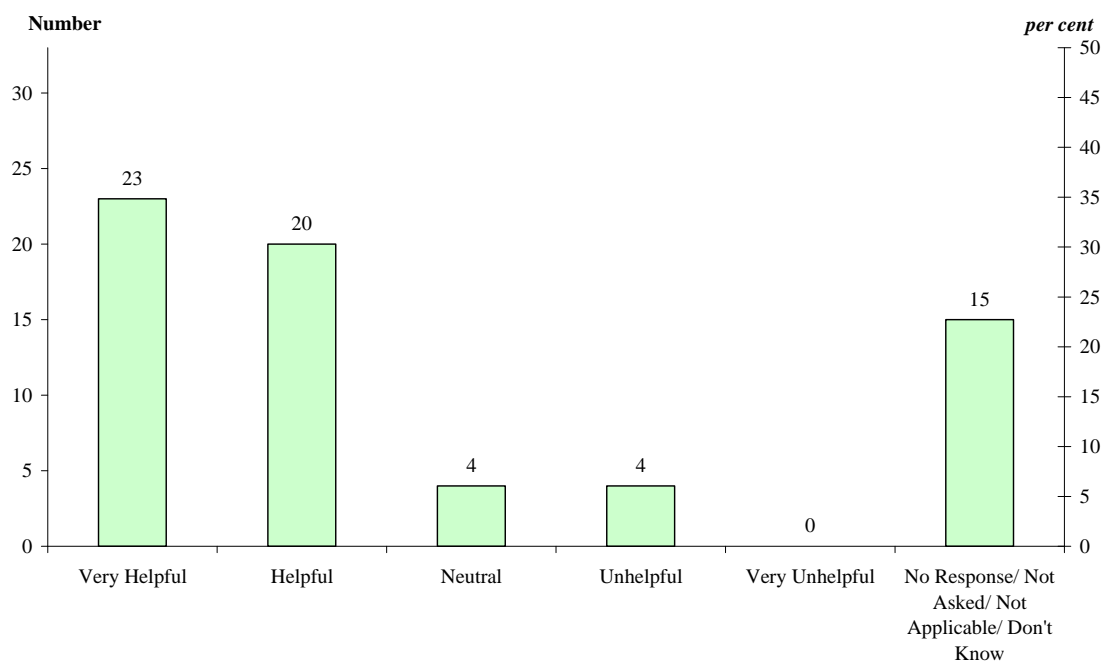
Two-thirds of store managers that responded to the question about IMOs said that the IMOs were either ‘very helpful’ or ‘helpful’ (Figure Seven). Reasons given for this include:

- The IM manual developed collaboratively for their store was an excellent resource;
- IMOs were helpful before and after the transition and were able to resolve problems quickly following the start of IM; and
- IMOs were supportive with accounting, book-keeping and IT issues that arose during the introduction of IM.

⁴ Store operators who requested further assistance have subsequently been provided with additional support.

⁵ This is different to ‘book up’.

Figure Seven: How did you find the assistance of the Income Management Officer?



Although store operators were generally satisfied with IMOs, there were several criticisms or suggestions for improvement:

- A large number of store operators who found the IMO helpful, suggest it may have been useful if the IMOs were in the communities for a longer period of time (coming in earlier and staying longer after the go live date) extending their availability to around six to eight weeks. This would help them become familiar with issues specific to each community.
- Store operators with Indigenous staff wanted individual training sessions for these staff on handling the new software, as they did not feel confident themselves to carry out such training.
- Several store operators asked if a help line for IM difficulties could be made available through Centrelink.⁶
- A number of store operators suggested that signage be supplied to stores that would explain issues to customers, e.g. pictures showing what they can and can't buy with their IM money.⁷
- A few store operators commented that the combination of their limited computer skills and the initial teething problems culminated in a frustrating time during the transition to IM.

⁶ Centrelink implemented a Merchant Helpdesk in 2008.

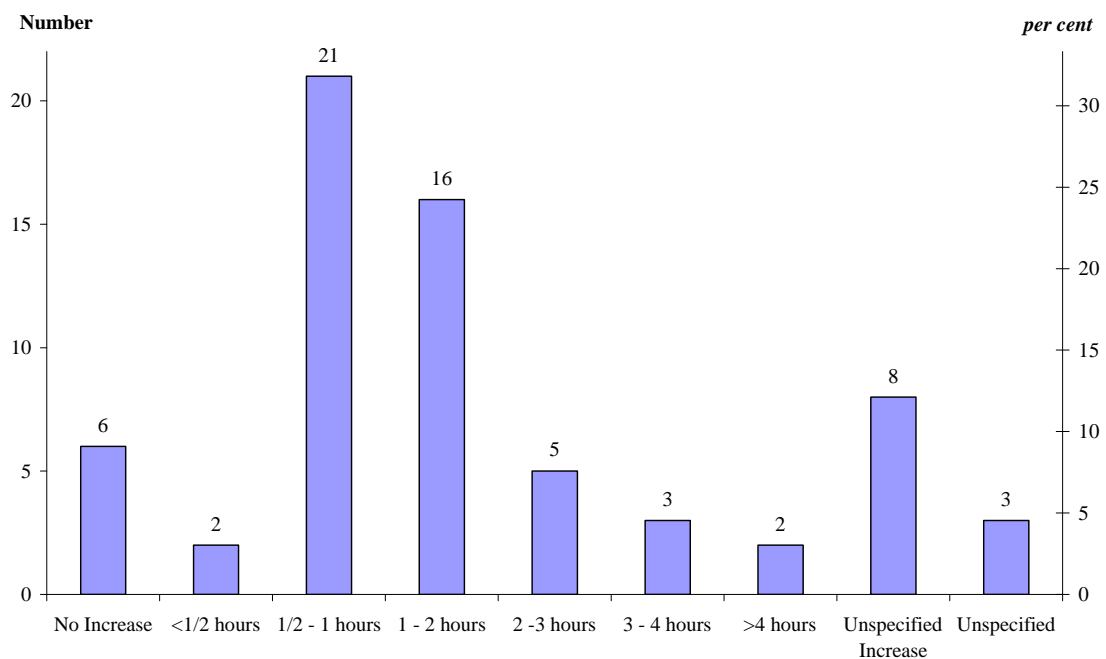
⁷ Centrelink provided merchants with copies of posters showing what can and can't be bought with IM funds.

- One store operator said he would have preferred to have been able to transition his store without the involvement of an IMO.

Workload

The majority of store operators reported that IM added somewhere between half-an-hour to two hours to their daily workload (Figure Eight). The largest number of responses indicated a half-an-hour to one hour increase in daily workload. Responses did, however, vary substantially. Some store operators indicated their frustration and unhappiness at the extra workload, while a few store operators reported no change in the workload. Responses also tended to vary depending on store circumstances. For example, stores with an easier transition to IM tended to report smaller work load increases.

Figure Eight: Has the administration of IM added to your workload, or the workload of store staff? If yes, how much extra work in terms of time per day?



Store operators reported that the increase in workload could be attributed to:

- Checking IM fund balances for customers, particularly those using the BasicsCard, has been a frequently cited burden. This comment was raised frequently. Store operators commented that they are being requested to make numerous calls to Centrelink to check customer IM balances. Ten to fifty calls per day were reported in some cases, at cost to the store. Store operators

commented that time is needed to explain the ‘balance on card’ issue to residents.

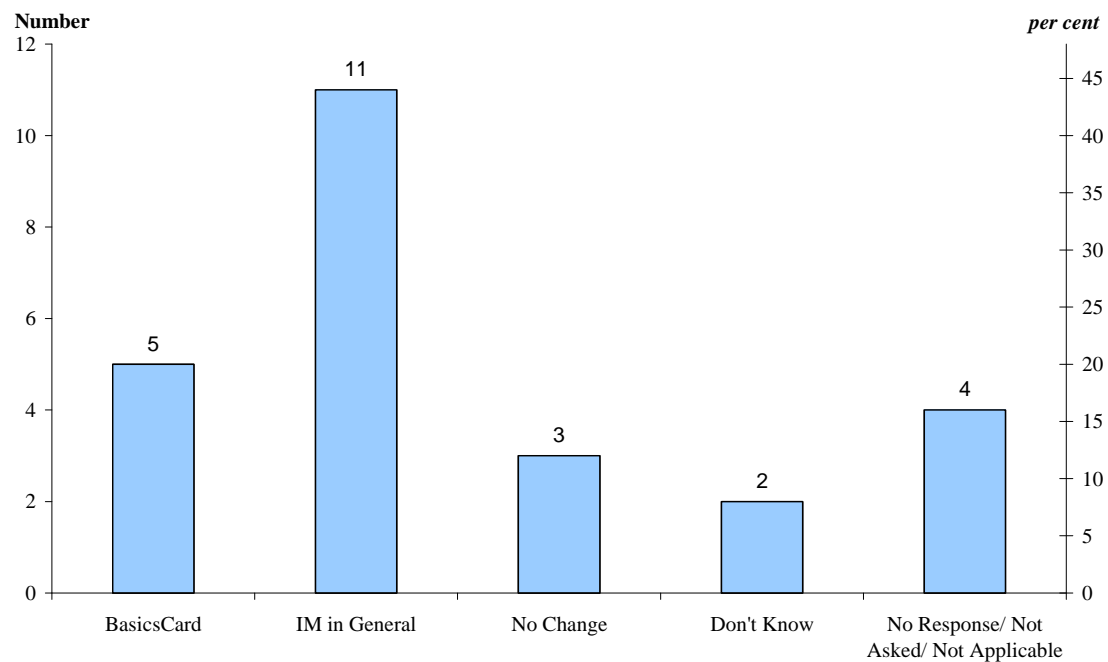
- Substantial paperwork, including reconciling Centrelink payments and Centrelink monthly reports.
- Answering customer questions and helping with any problems that arise, for example, late Centrelink payments.
- A few store operators with limited computer literacy felt additionally burdened in coping with both the new systems plus Centrelink requirements. They commented that more computer training should be available.
- One store operator commented that they now have more registers open and a supervisor has to be in store virtually all the time in case there is a problem.

BasicsCard

The BasicsCard is a recent IM development in the Northern Territory. The BasicsCard was progressively rolled out from September 2008. The last round of store manager interviews for this report included questions about the BasicsCard in order to find out its effect and issues concerning the card. Responses were overwhelmingly positive towards the BasicsCard. Store operator responses suggest that the BasicsCard has not changed the functioning of IM, but has made it more convenient to stores and communities (Figure 9). Store operator comments include:

- *‘Everyone loves the BasicsCard. They can just come in, do their shopping and it is all hassle free.’*
- *‘The BasicsCards allows movement between shops/areas; but it hasn’t caused changes in types of purchases [compared with pre-BasicsCard IM].’*
- *‘The card has provided customers with greater portability of their funds, enabling them to more easily shop in any number of places.’*

Figure Nine: Do you think the introduction of the BasicsCard has changed the way people shop? Do you think these changes are because of IM in general or specifically related to the BasicsCard?



Although store operators had responded that the BasicsCard had not changed the fundamental effects of IM on shopping habits, four-fifths of store operators in the final round of interviews responded that the BasicsCard was a positive development. Comments and reports include:

- The major benefit that store operators reported about the BasicCard for customers, over earlier forms of IM, was the portability of IM funds between stores and communities. The BasicsCard is perceived to have enabled significantly increased customer movement between stores, which is widely viewed as a substantial improvement from the previous situation, where customers' funds were generally allocated to a community store. This may also have generated a more positive view of IM by customers.
- However, there were frequently raised issues with some customers not knowing their balance and trying to purchase more than they could afford, which in turn could annoy people queuing. It also meant that customers would often have to use the store phone to contact Centrelink for their balance, at a cost to the store. One store manager reported over 440 declined transactions since the introduction of the BasicsCard.

- Another benefit that some store operators reported about the BasicsCard is that there is less work for stores than with earlier forms of IM.
- There were a few reports that people have gambled away their BasicsCard.
- One store operator reported that the BasicsCard was not durable enough for local conditions and was being heavily worn from frequent use.

Several store operators reported that women/mothers tended to like the BasicsCard as it provided them with more control and freedom. The portability of funds and the mobility offered by the BasicsCard was also seen in communities as a major benefit. One store, however, reported on a recent community meeting at which an overwhelming dislike of the BasicsCard and IM was expressed and a decision was made that the shire leaders would be relaying their views to the Government.

Stores Interviewed

Operators of the following 66 stores were interviewed for the monitoring report:

Aherrenge Community Store	Mikbamurra Store
Ajaurumu Store Warruwi	Milikapiti Store
Ali Curung Community Store	Milingimbi Community Store
Alpirakina Store Yuelamu	Milyakburra Community Store
Amoonguna Community Store	Minjilang Community Store
Angurugu Community Store	Mt Liebig Store
Apatula (Finke) Store	Mutitjulu Store
Areyonga Store	Napperby Station Store
Arlparra Store	Naiyu Nambiyu Store (Daly River)
Atitjere Store	Nguiu Community Store
Balmarrk Supermarket (Maningrida)	Ngukurr Community Store
Barunga Community Store	Nguru-Walalja Store
Beswick Store	Ntaria Supermarket (Hermannsburg)
Bonya Store	Ntjaminya General Store Engawala
Bulman Community Store	Nyirripi Community Store
Canteen Creek Community Store	Palumpa Store
Daly River Tucker Store	Papunya Store
Delissaville Store Belyuen	Peppimenarti Store
Demfood Gunbalunya	Pirlangimpi Store
Finke River Mission Store	Raminingining Store
Galiwinku Community Store	Ranku Store Wurankuwu
Gapuwiyak Community Store	Robinson River Community Store
Gunbalunya Council Store	Santa Teresa Store
Gunbalunya Service Station	Takirrina Tuckerbox
Impana Community Store	Titjikala Store
Jilkminggan Store	Wadeye Butcher Shop
Kaltukatjara (Docker River)	Wadeye Murrinhpatha Nimmipa Store
Kanparrka Store	Wallace Rockhole Store
Kintore Store	Warrabri Bakery
Lajamanu Progress Assoc. Store	Watre Alparayete Store
Laramba Community Store	Wirliyajarrayi Store Willowra
Maningrida Progress Association Store	Yarralin Community Store
Mi Patha Takeaway Wadeye	Yirrkala Community Store